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**Latin America
Review**

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11 October 1985

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Latin America
Review

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Havana provides military and security advisers and health, education, and agricultural aid to Cape Verde, reflecting a need to protect the Cuban aerial resupply link to Angola.

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Comments and queries regarding this publication may be directed to the Chief,
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Articles

**Brazil: Growing Leftist
Influence in the Church**

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The growth of leftist influence in the Brazilian Catholic Church—a trend evident since the military seized control of the country in the mid-1960s—has accelerated since the restoration of civilian government under President Sarney in March. In the more open political climate under civilian rule, radicals in the church appear to be increasing their involvement in advocating land reform as well as in labor agitation and political organizing.

Conference at Medellin, Colombia, in 1968. It relates Christian principles to social conditions, often using a Marxist-oriented analysis of class conflict, and encourages social and political action to eliminate exploitation of the poor.

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In addition, the ideas of Liberation Theology have been diffused through Brazil's lower-income groups by Christian Base Communities (CEBs)—local groups, led by Catholic laymen and priests, that first sprang up in the 1960s. The CEBs, whose activities range from Biblical studies to labor agitation, now number over 70,000 throughout Brazil, according to the US Embassy. CEBs are strongest in the impoverished northeast and have about 4 million members nationwide.

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Longstanding Leftward Trend

The Catholic Church in Brazil generally supported national governments before the 1964 military coup. Subsequently, the military regime's repressive policies, together with economic and social inequities stemming from its free enterprise approach to development, alienated many clergymen and Catholic lay leaders. The Catholic left—composed of bishops, clergy, and lay activists—grew steadily and by the late 1960s had become a major opposition force. Leftist clerics and lay leaders became increasingly outspoken against the regime. Some were arrested for having ties with guerrilla groups, while others went into exile.

The CEBs lack centralized direction, and their impact in the political arena has varied widely from region to region. CEBs in the northeast and in industrialized Sao Paulo have had the most success organizing the poor into political action groups, primarily in support of the small but radical Workers' Party, according to the Embassy.

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The emergence of Liberation Theology in Brazil and other Latin countries during the early 1970s reinforced the views of leftist Brazilian clerics that the church had to become politically involved to change the social system. Liberation Theology was conceived by Peruvian theologian Gustavo Gutierrez and other Latin clergymen following the condemnation of "neocolonialism" by the Latin American Bishops

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Factions Within the Church Hierarchy

Individual Brazilian Catholic bishops set the tone for political activities within their own dioceses, according to the US Embassy. The approximately 300 bishops meet once each year as the National Conference of Brazilian Bishops, but that body usually steers clear of controversial issues. []

According to the US Embassy [] three loose factions or "tendencies"—conservative, liberal, and leftist—are evident within the Brazilian church. The conservative group consists of a handful of bishops who supported the former military regime. They believe that the church's mission is strictly spiritual and does not encompass social reform or political action. The liberals comprise the largest group, both within the hierarchy and among the rank-and-file clergy. They believe the church has a social reform mission to improve the lot of the poor. According to the US Embassy, although the liberals deny that the church should play a political role, they acknowledge that its social reform mission can sometimes extend into the political arena, and they are sympathetic to Liberation Theology. []

The leftists, whose influence and outspokenness far exceed their numbers, consider themselves the vanguard of social reform, according to the US Embassy. Leading members of this group—such as Cardinal Ivo Lorscheider, the president of the Bishops' Conference; Cardinal Paulo Evaristo Arns of Sao Paulo; and Cardinal Aloisio Lorscheider of Fortaleza—have promoted the spread of Liberation Theology, advocated a radical overhaul of the Brazilian economy, and forged church ties with the far-left Workers' Party and allied labor unions. Since the mid-1960s, the leftists, with at least tacit support from the liberals, have succeeded in transforming a once-passive church into an activist one. []

Political Activity Under Civilian Rule

Since the return to civilian rule, leftist members of the clergy have increased their calls for major land reform. Several leftwing bishops successfully lobbied for the appointment of a prominent Catholic lay leader and proponent of land reform, Nelson Ribeiro, as Agrarian Reform Minister in the new administration. Ribeiro submitted a far-reaching land reform proposal, endorsed by President Sarney, to the Congress in May. It calls for expropriation of large estates and uneconomic small holdings and the resettlement of over 7 million people during the next 15 years. The National Conference of Brazilian Bishops, a body that represents the country's approximately 250 active and 50 retired bishops, has called for immediate implementation of the land reform plan, according to the US Consulate in Sao Paulo. The plan has encountered strong opposition, however, from congressmen representing large landowners. It has also sparked premature seizures of land by peasants as well as violence between these squatters and landowners' private militias. []

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In the freer political climate under civilian rule, church laymen and clergy, working through the CEBs, are expanding their ties with the Workers' Party and labor unions affiliated with it. According to the US Embassy, the Workers' Pastorate, a little-known branch of the Sao Paulo diocese, cooperates closely with the most militant factions of the Workers' Party. []

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[] In May, church laymen and clergy openly supported strikes backed by the Workers' Party in Sao Paulo. []

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Church leftists also are beginning to establish new political parties. []

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[] We believe they created these parties in order to run candidates in several cities in November's mayoral elections, with the hope of attracting support among moderate voters unwilling to back a Workers' Party ticket. Thus far, neither of the new parties appears to have gained a large following. []

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Leftist Brazilian bishops, moreover, have been raising their voices on regional issues. [redacted]

[redacted]

In addition, leftist bishops increasingly are flouting Vatican wishes by expressing support for the Cuban and Nicaraguan Governments. [redacted]

[redacted]

[redacted] Cardinal Arns publicly supported Nicaraguan Foreign Minister D'Escoto—a Maryknoll priest—during D'Escoto's hunger strike in July to protest US policy. In addition, the US Embassy in Managua reports that leftist Bishop Casaldaliga of Brazil's Mato Grosso state traveled to Nicaragua to conduct public masses in support of D'Escoto's fast. Nicaraguan bishops protested his actions to the Brazilian hierarchy with little effect, according to the Embassy. Casaldaliga claimed to be acting on behalf of some two-dozen Brazilian bishops. [redacted]

The Conservative Response

Pope John Paul II's opposition to Liberation Theology and to clergy participation in politics appears to have placed the Vatican on a collision course with the leftist-dominated hierarchy of the Brazilian church. In May, Rome ordered the silencing—reportedly for one year—of a leading Brazilian liberation theologian, Father Leonardo Boff, because of his book attacking the hierarchical structure of the church. Leftist Brazilian bishops were angered by the Vatican's action, and some of them issued a sharp protest statement, according to press reports. [redacted]

The silencing of Boff may have been the opening salvo in a campaign by the Vatican and the minority conservative bloc in the Brazilian church to reduce the influence of the left. [redacted]

[redacted]

[redacted]

Outlook

We believe leftist influence in the Brazilian Catholic Church will continue to expand during the next several years in the newly open political climate. In our view, Vatican-backed moves by conservative prelates to counter the leftward trend are unlikely to have much effect because the right wing is too small and isolated within the hierarchy. The strong sentiment within the Brazilian church in favor of greater independence from the Vatican also is likely to work against the conservatives' efforts. [redacted]

We expect leftist-oriented church leaders to continue pressing for land reform while also speaking out on other issues such as US policy in Central America. Moreover, church activists are likely to expand their collaboration with the Workers' Party and the labor movement. [redacted]

[redacted]

[redacted]

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Mexico: Trends in Student Activism

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The apparent surge in student demonstrations and other protest actions at a number of Mexican universities in the past year does not reflect a trend toward greater involvement in national politics. Student demands generally have related to university policies and other parochial concerns rather than to national or international issues. The reluctance of Mexican students directly to confront the government probably has resulted from fears of reprisal, preoccupation with more immediate financial and other matters, and a lack of unity among youth groups. In the foreseeable future, Mexican students probably will have little influence on national politics, although they may occasionally have some impact on state and local affairs.

Background

Students traditionally have not been a strong political force in Mexico. They were not major actors in the 1910 Mexican Revolution, and, even today, they identify with the revolution far less than workers and peasants, in whose name it was fought.

In fact, Mexican students tried to flex their collective muscle only during a brief period in the late 1960s. This period was characterized by increasingly large, peaceful student demonstrations, some of which were beginning to attract middle-class support. Students were protesting what they considered the repressive and undemocratic nature of Mexico's political system. Student activism, however, was short lived. The government crushed the student movement in October 1968, when security forces fired on youthful demonstrators in Mexico City's Tlatelolco Plaza, killing over 300 and wounding as many as 1,000, according to Embassy and press reports. The massacre, followed by the jailing of many student leaders, assured that the 1968 Olympic games were without incident.

Recent Unrest

In recent years, there have been a number of student demonstrations, but virtually all have focused on campus issues rather than national or international matters:

- University students in San Luis Potosi seized and burned buses in September after one ran over a student. The violence ended only after the bus company agreed to indemnify the victim's family and city authorities promised to improve bus service.
- At the Autonomous University of Coahuila, almost a year of protests that left two dead and many injured ended in March with the naming of a compromise candidate as rector. The unrest initially had been sparked by two dental students armed with pistols and Molotov cocktails who occupied a university building to demonstrate their dissatisfaction with examination practices and demand the dismissal of the university's rector.
- In September students at the Autonomous University of Chihuahua occupied university offices, commandeered city buses, and blockaded streets to protest the reappointment of a controversial rector. The official subsequently resigned, as did the Governor, a close political ally. It now appears that the students were used indirectly by one faction of the ruling party to force the ouster of the Governor, the leader of the other faction.

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In the past year, major student protests also have occurred at universities in the states of Chiapas, Puebla, and Veracruz, all of which have reputations for student and faculty activism. Such student demonstrations, while used on occasion for political purposes by others, generally have not been politically motivated, according to the US Embassy. Student concerns have focused mainly on university-related matters, such as admissions policies, academic regulations, availability of scholarships, and unpopular administrators. In several cases, students have joined with teachers to protest low faculty pay, reductions in education budgets, or poor classroom facilities. Local issues, including hikes in bus fares and refusals to give students discounts at theaters, also have touched off demonstrations.

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To the extent Mexican students have addressed national issues, they usually have limited themselves to foreign affairs, where their traditionally leftist bent is generally in line with administration policy.

According to the US Embassy, in recent years there have been a number of student protests against alleged US intervention in Central America, and support for Nicaragua's Sandinistas appears strong on most campuses. Students, [redacted]

[redacted] are also said to oppose what they perceive as US pressures on Mexico, the US military buildup, and the influence that the International Monetary Fund exerts on Mexican policy. Students and faculty activists have not strongly attacked their government's domestic policies. [redacted]

Reasons for the Student Mood

The failure of students to be more active in national politics is partly the result of cynicism of Mexican youth about their ability to influence events, according to the Embassy. In addition, students, with good reason, fear government reprisals for participation in antigovernment demonstrations. In effect, the lesson of the 1968 crackdown has not been forgotten, and both students and teachers remain circumspect in openly criticizing the system. [redacted]

At the same time, according to the Embassy, many students have stayed out of politics because they are preoccupied with immediate financial concerns. Higher education has not been a major government priority in recent years, with the result that many students apparently have had to use their free time to make ends meet. [redacted]

Another factor limiting the impact of student activism is the fragmentation and political infighting that characterizes most student organizations. Leftist groups at the Autonomous University of Mexico in the capital, for example, are divided into Marxist, Trotskyite, and Maoist factions, among others. Most Mexican universities do not have central student federations. There is no national organization capable of, or responsible for, representing student interests throughout the country. [redacted]

The government, for its part, has taken a number of measures to discourage potentially disruptive student activism. It has sought, although with little success, to co-opt students by enlisting them in the ranks of the ruling party's youth affiliate—the National Movement of Revolutionary Youth. More effective have been the government's efforts to secure the appointment of university administrators in whom it has confidence. In addition, at some of the larger schools, university and government officials have hired groups of thugs to masquerade as students to intimidate dissident students and faculty members. According to the Embassy, such young toughs, who generally are deployed against leftist groups, at times provoke violence so that authorities have an excuse to intervene and arrest student activists. [redacted]

Prospects

We anticipate that student involvement in university and local matters will continue, leading to some ferment on campus and occasional violence. Students probably will have some influence on local and state politics, as they evidently have recently in Chihuahua. We believe, however, that student protest activities generally will remain isolated and that they will not be directed against the national government. Authorities in Mexico City appear to have the information, the resources, and the will to contain any student disorders they view as threatening. [redacted]

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Mexico: Governor Steps Down in Chihuahua

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The announcement in mid-September that Oscar Ornelas Kuchle, governor of the key northern border state of Chihuahua, will take an extended leave of absence—an act tantamount to resigning—suggests President de la Madrid wants to strengthen political leadership in the state before next year's critical gubernatorial race. Ornelas, whose six-year term will expire next year, had been in political trouble with leaders of his own party since he did not prevent the National Action Party (PAN) from winning mayoralties in the state's two largest cities—Ciudad Juarez and Chihuahua City—in 1982.



Chihuahua Governor Ornelas

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Criticism of Ornelas' leadership sharpened after he failed to mobilize his party to campaign hard in midterm congressional elections last July.

As a result, the conservative PAN made a strong showing, winning three of Chihuahua's 10 congressional seats and officially capturing an impressive 36 percent of the vote statewide, 10 percentage points more than it won in any other state.

Internal divisions within the state's ruling party also contributed to Ornelas' demise, according to the US Consulate in Ciudad Juarez.

The forced resignation of Ornelas shows that de la Madrid does not intend to permit the PAN to challenge the ruling party's electoral dominance. Nevertheless, the split within the ruling party in Chihuahua and Ornelas' probable bitterness at being forced out will hamper the ruling party's efforts to sweep state and local races in 1986, which are likely to be among the most hotly contested in the country.

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**Cuba:
Growing Interest in
Computer Technology**

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Havana's increasing interest in computer technology reflects the regime's desire to streamline government bureaucracy as well as President Castro's fascination with modern technology. Several constraints, however, are preventing Havana from making effective use of computer technology. Hard currency shortages have hindered the country's ability to import higher-quality Western computers, especially the more expensive, large mainframe computers. So far, Cuban purchases of Western computers have been largely limited to less than 2,000 relatively inexpensive personal computers that have more limited capabilities than mainframe machines.

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Cuba faces the additional obstacles of the US trade embargo and COCOM (NATO Coordinating Committee on Export Controls) restrictions in its attempts to acquire more advanced Western equipment. Havana has used a variety of indirect means to circumvent such restrictions, but often may be forced to settle for much less sophisticated technology produced at home or by other CEMA countries. CEMA, however, has given Havana little assurance that it is willing to underwrite development of a high-technology base in Cuba. There has been only limited development of an infrastructure—in the form of training, maintenance, data bases, and a related semiconductor industry—to support computer users in Cuba. For at least the near term, therefore, the ailing Cuban economy probably will be largely unable to benefit from the potential efficiencies from computer usage.

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Beginning Efforts—Personal Computers

Cuba's hard currency reserve difficulties have limited its ability to buy the mainframe computers used for many commercial and scientific applications. Indeed, almost all of the Western equipment Havana has obtained thus far are personal computers that are used for routine administrative tasks in government agencies.

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Havana has begun to show some interest in the related field of semiconductor technology. According to press reports, Cuba purchased over \$2 million worth of equipment from a Spanish firm between 1979 and 1982 for manufacturing integrated circuits and semiconductors. Over the last year or so, Havana has been seeking additional semiconductor production equipment from British and Japanese companies.

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according to the Cuban press, had graduated 13,000 students through 1984. According to press reports, the Computer Training Center works closely with similar institutions in Hungary and East Germany. Cuban representatives also reportedly participated in conferences hosted by the Intergovernmental Commission on Computer Technology in East Germany and Hungary earlier this year. []

[]

[] Nevertheless, these efforts are very miniscule given the size of the Cuban labor force (over 3 million persons) and the number of Cuban enterprises. []

CEMA Aid

Havana probably can expect little aid from other CEMA countries for its fledgling computer industry. Cuba's role within CEMA as a producer primarily of agricultural goods and raw materials was reaffirmed at a meeting of the organization held in Havana last October. Much to Castro's dismay, CEMA squelched his hopes that it would support a more industrialized Cuban economy with particular emphasis on the electronics sector. At the same time, Moscow agreed only to maintain current levels of economic aid in the next five-year plan. []

Outlook

Castro's continued emphasis on putting Cuba's economic house in order probably will require increased use of computers to improve efficiency. The bureaucratic reshufflings expected to occur over the next few months could result in more management positions being filled by technocrats who are likely to favor increased usage of computers. If Castro adopts the advice of his economic advisers to increase incentives and permit more managerial autonomy at the enterprise level, lower-level managers also probably will rely more on computers to cut costs and remove manufacturing bottlenecks. Moreover, Castro's longer-term strategy of improving relations with the West in hopes of gaining economic relief, if successful, could enable Havana to expand its network of front companies abroad and tap additional sources of high-technology products. []

Nonetheless, existing obstacles hampering Cuba's use of computers will continue to slow down Havana's acquisition of computer technology. Its ability to import quality Western computer equipment probably will remain constrained, at least in the near term, by hard currency shortages and restrictions imposed by COCOM member countries on Cuba's import of high-technology items. Despite Cuba's collaboration with other CEMA member countries on computer projects such as data transmission networks and the design and production of mainframe and microcomputers, Havana cannot expect any significant financial assistance from CEMA in advancing its technological capabilities. Another impediment to the widespread adoption of computers by Cuba is the long leadtime required to train a sufficient number of programmers, engineers, operators, and systems analysts. Thus far, only a very small percentage of Cuba's labor force has received such training. []

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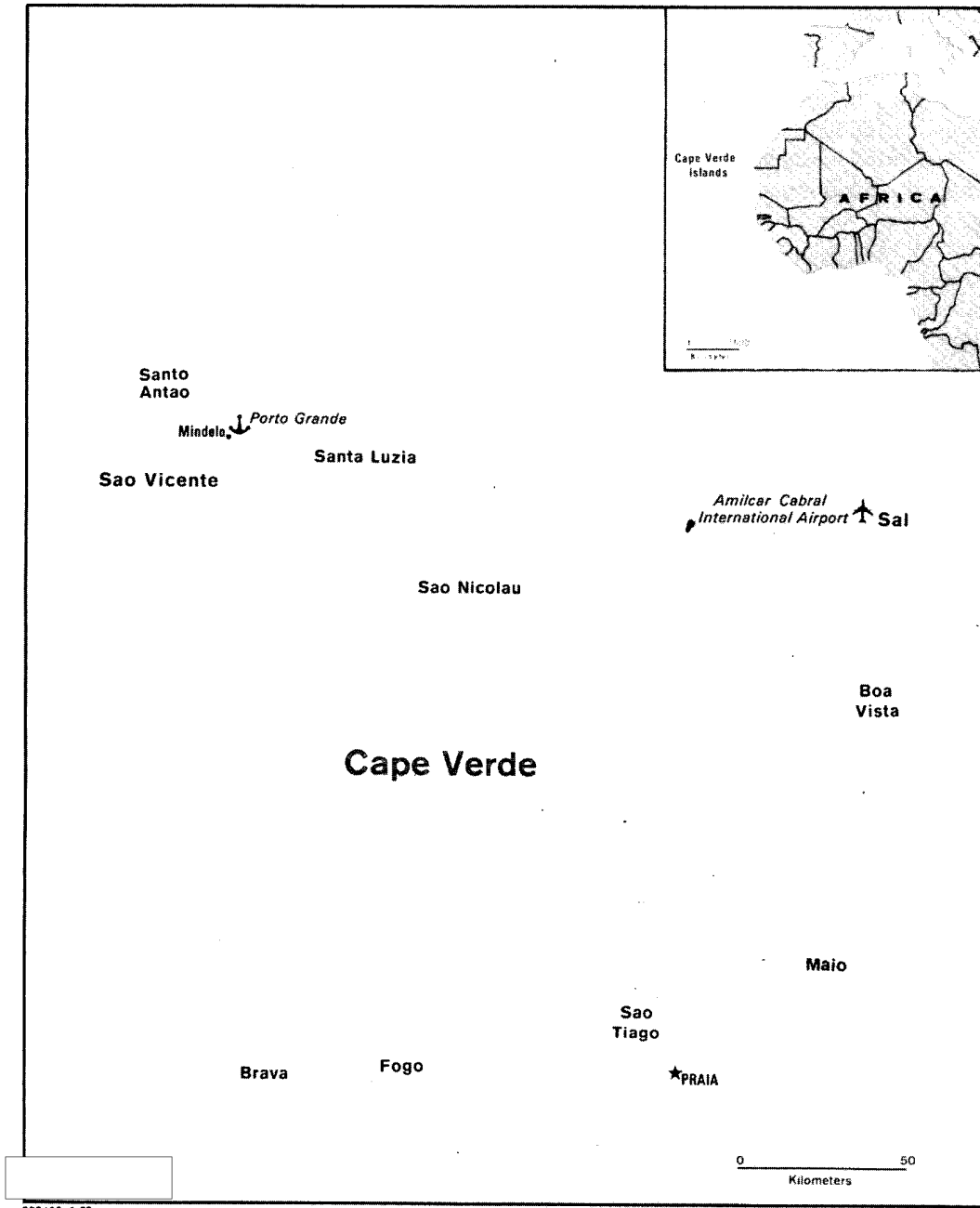
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Cape Verde



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Cuba: Outpost in Cape Verde

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Cuban interest in Cape Verde and its influence in the government of this small group of islands off the northwestern coast of Africa have been strong for over a decade.

Havana, which has cultural and ethnic similarities with Cape Verde and provides health, education, and agricultural aid, exercises far more influence with Praia than Moscow does

Cuban advisers are active in nearly every department of the Cape Verdean Government.

Moreover, most of Cape Verde's government ministers and many of its citizens reportedly have received free education and political and technical training in Cuba.

Cuban influence in Cape Verde appears to be heaviest in the military.

all Cape Verdean military and police officers go to Cuba for training, and that the security services are closely tailored after the Cuban model.

In our view, Havana's desire to maintain warm relations with Praia most likely stems from the need to protect its aerial resupply link to Angola, where some 35,000 Cuban troops support the Luanda regime against antigovernment forces. All flights carrying Cuban personnel to and from Angola make their necessary refueling stops in Cape Verde. Although most of the arms, ammunition, and other supplies destined for Angola are now routinely flown or shipped in by the Soviets, limited quantities of supplies—including arms—evidently are still carried aboard Cubana Airlines military flights transiting Cape Verde.

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We believe Havana probably will continue to cultivate close ties with Praia so long as its commitments on the African continent, particularly in Angola, remain high. Even so, given the small size of the country, the Cubans probably will opt to keep their presence at or near current levels, lest they wear out their welcome with Cape Verdean officials.

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Haiti: Exile Activity

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Exile groups committed to the overthrow of President Jean-Claude Duvalier have long had little support in Haiti or among Haitian expatriates. All of their previous attempts at invasion or assassination have been unsuccessful, although some groups have carried out terrorist actions in Haiti. We believe these groups will remain an irritating but manageable nuisance to the regime over the foreseeable future. Nevertheless, a number of groups continue to hatch plots against Duvalier, which the Haitian Government takes seriously and carefully monitors.

assassinating Duvalier, or both, have continued over the past year:

- Last November, the government arrested 19 persons in connection with an alleged plot to kill Duvalier,

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the detainees were eventually released.

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25X1**The Exile Community**

Although we lack reliable statistics on the extent of emigration, large numbers of Haitians have left their country over the years. The US Embassy indicates that the vast majority are refugees—rather than political exiles—driven by dismal economic conditions to seek a better life elsewhere. Significant communities of ethnic Haitians exist in The Bahamas, the Dominican Republic, Guadeloupe, Martinique, Cuba, Guyana, Canada, and the United States. Most appear to be unemployed or occupy the lowest rungs of the job ladder and thus are barely able to support themselves, much less fund a movement against the Duvalier regime.

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Recent Activities

During the past 28 years of Duvalier family rule, exiles have formed numerous groups aimed at toppling the regime, although we believe such activists still constitute only a tiny minority among the exile community. We believe these groups generally are characterized by limited resources, poor organization, and inability to work together. According to the Embassy, the ideological commitment of most exile groups is weak, and the groups span the political spectrum. Their only common goal is the regime's overthrow; few have specific or coherent plans for a post-Duvalier Haiti. Although some have proven capability for terrorist acts in Haiti, a review of recent exile activities indicates a pattern of failure in carrying out their plots. Nevertheless,

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their plans for invading,

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Major Haitian Exile Groups

Name	Leader	Location	Comment
Haitian National Popular Party (PPNH)	Bernard Sansaricq	Miami	
Hector Riobe Brigade	Yvon Desulme	Miami	
National Democratic Group of Haiti (RDNP)	Leslie Manigat	Caracas	
National Democratic Progressive Party of Haiti (PNDPH)	Lionel Laine	Miami	
Popular Front for the Liberation of Haiti			
Haitian National Farm-Industrial Party (PAIN)	Louis Dejoie, Jr.	Puerto Rico	
Unified Party of Haitian Communists (PUCH)	Rene Theodore	Dominican Republic	

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Little Foreign Support

According to the Embassy, Cuba has not shown much interest in Haiti since it provided support for a few ill-planned invasions of Haiti over 20 years ago. Although the Castro government continues broadcasting in Creole to Haiti and persists in its anti-Duvalier line, Havana currently does not publicly identify any revolutionary movement as representing a credible threat to the Haitian regime, according to US officials. Cuba probably recognizes the intractable political and economic problems that would have to be tackled should any revolutionary group succeed in ousting Duvalier, and thus sees little opportunity at present to advance its interests there.

[REDACTED]

[REDACTED]

Aside from contributions from members, the exile groups receive some funds from charitable and religious institutions, international labor organizations, and private interest groups, [REDACTED] Individual sympathizers also are a source of funds. According to the US Embassy, former Haitian President Paul Magloire reportedly is one of the principal financial backers of the Hector Riobe Brigade. [REDACTED]

Government Countermeasures

According to the Embassy, the government's main defense against an exile incursion is a pervasive intelligence network controlled by various official security services. [REDACTED] these services have proved reasonably adept at infiltrating the exile groups in the Dominican Republic, Canada, and the United States. In the United States and Canada, such intelligence gathering is aimed at the large Haitian expatriate communities in Miami, New

York, and Montreal, according to the Embassy.

[REDACTED] members of the Volunteers for National Security gather information from Haitian residents and Haitian businessmen who cross the border periodically from the Dominican Republic. According to Embassy reports, Haiti is relatively satisfied with the cooperation it receives from the Dominican Government, which denies exiles freedom to organize openly there. [REDACTED]

Outlook

We believe the chances for an exile overthrow of the Duvalier regime are slim over the foreseeable future. The groups' own shortcomings would seem to preclude them mounting a viable effort against the government. In addition, no exile incursion in the past 28 years has received widespread popular support within Haiti, according to the Embassy. Although popular discontent is growing, [REDACTED] we doubt this translates into increased support for exile groups or enhances their chances for achieving their goals. At least a few groups, however, are likely to have the ability to carry out terrorist acts in Haiti, even though the prospect of assassinating Duvalier is slim. [REDACTED]

According to the Embassy, in the event a group of armed exiles or exile-supported mercenaries succeeded in landing in Haiti, the Army, along with whatever forces the small and ill-equipped Air Corps and Navy could muster, would respond. Paramilitary forces based in the area of the incursion probably would be called on to assist the regular military units, according to Embassy reporting. The Haitian Government probably believes that its security forces can handle small-scale sea or air incursions similar to those that have occurred in recent years. Controlling its common border with the Dominican Republic is a more complex problem, however, and we believe it will require continued cooperation with Santo Domingo. [REDACTED]

[REDACTED]

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Latin America Briefs

Honduras-Nicaragua	Border Tensions []	25X1
	Honduras and Nicaragua have increased their military preparedness in the wake of Tegucigalpa's mid-September retaliatory airstrike against Sandinista border units bombarding Honduran territory, but both sides so far have avoided further confrontations. [] is	25X1
	proud of its raid on a Nicaraguan outpost that had fired artillery against suspected anti-Sandinista targets inside Honduras. Honduran pilots claim to have destroyed an artillery position and at least one helicopter. []	25X1
	The Honduran high command reportedly has drawn up contingency plans for further retaliatory attacks if necessary, and initiated a modest reinforcement of troops near the border. []	25X1
	[]	25X1
	[] Nicaragua, for its part, has sent up to 1,000 troops to a village near the scene of the mid-September clash and reinforced at least one border brigade with additional artillery and armor, []	25X1
	Managua also has publicly warned Honduras that "unforeseeable circumstances" could arise from the convergence of thousands of Nicaraguan, rebel, and Honduran troops in the border area. []	25X1
	At the same time, however, the Hondurans appear to be seeking to avoid any unnecessary confrontations, and there have not been any further reported Sandinista attacks on Honduran territory. []	25X1
	[]	25X1
	[] The military high command in Tegucigalpa apparently considered one recent incident not significant enough to merit retaliation, []	25X1
	[] The incident involved a Nicaraguan patrol that reportedly kidnaped three men several kilometers inside Honduras, interrogated them about insurgent locations, and released them the next day. []	25X1

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ALA LAR 85-022
11 October 1985

Secret**Guyana****Foreign Exchange Crisis**

25X1

Guyana's severe foreign exchange bind threatens further to depress the economy—1984 output was only 76 percent of the peak 1976 level—and increase pressure on President Desmond Hoyte to find viable solutions as he prepares for elections required to be held by next March. In September, Trinidad and Tobago suspended its oil credit facility due to Guyana's inability to pay arrears of \$217 million; future purchases apparently will be made in cash. Meanwhile, Guyana reportedly will repay its debt by making monthly exports of 3,000 tons of rice, a Guyanese staple already in short supply. Hoyte recently ordered troops to distribute rice to prevent hoarding and maintain order.

25X1

25X1

Hoyte also has begun to court foreign investors. Finding the \$19 million needed to cover Guyana's arrears to the Fund, a prerequisite for a new program, is likely to prolong negotiations. Meanwhile, worsening rice and petroleum shortages are likely to undercut Hoyte's recent efforts to consolidate business and labor support, as well as raise the chances of social unrest and increased repression.

25X1

Trinidad and Tobago**Downside of the Oil Boom** ²

25X1

Trinidad and Tobago's oil-based economy—once the envy of the Caribbean region—has experienced a cumulative decline in real GDP of 19 percent since 1982 and faces much harsher austerity in the coming years. Unaccustomed to the draconian measures needed to revitalize the economy over the longer term and worried about the record low popularity jeopardizing the ruling party's nearly 30-year hold on power, the Chambers government has taken only piecemeal actions to deal with the country's hemorrhaging foreign exchange reserves. Embassy reporting indicates that Trinidad will postpone severe belt tightening until elections are held, probably by late 1986. Such foot-dragging, however politically understandable, will merely make the adjustment process more difficult no matter who wins. The private sector, long overshadowed by the vast public sector, is too small to take the lead in creating new jobs or generating new sources of foreign exchange. Even the Caribbean Basin Initiative and other US trade benefits are unlikely to spark much growth in Trinidad's nonoil exports as long as labor costs remain high and the Trinidadian dollar remains overvalued.

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Bermuda**Call for Early Elections**

25X1

The moderate United Bermuda Party is expected to easily maintain its political dominance in elections to be held on 29 October 1985. Premier John Swan, the party's leader, has called the elections two years ahead of schedule.

25X1

Swan currently enjoys a 76-percent approval rating, drawing support from both the black and white communities as well as advocates of independence. His campaign will benefit from the disarray plaguing the opposition Progressive Labor Party. Earlier this year, four legislators who were expelled from the party for challenging its leadership formed their own party. Indeed, we believe the ruling party—currently holding 26 of 40 seats—will increase its majority slightly in the House of Assembly. No major changes in domestic or foreign policy are expected.

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